

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

June 21, 2005

IN RE:)	
)	
JOINT APPLICATION OF ITC^DELTACOM,)	
INC., SOUTHERN DIGITAL NETWORK, INC.)	
D/B/A FDN COMMUNICATIONS, INC. AND)	
NETWORK TELEPHONE CORPORATION FOR)	
APPROVAL OF THE ACQUISITION OF FDN)	DOCKET NO.
AND NT BY ITC^DELTACOM, INC. AND FOR)	04-00287
CONSENT TO THE INDIRECT TRANSFER OF)	
CONTROL OF (1) INTERSTATE FIBERNET,)	
INC., (2) BUSINESS TELECOM, INC. D/B/A BTI,)	
AND (3) ITC^DELTACOM COMMUNICATIONS,)	
INC. D/B/A ITC^DELTACOM AND D/B/A)	
GRAPEVINE)	

**ORDER APPROVING TRANSFERS OF
AUTHORITY AND FINANCING TRANSACTIONS**

This matter came before Chairman Pat Miller, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on November 8, 2004 for consideration of the *Application* filed on September 10, 2004 by ITC^DeltaCom, Inc. ("ITCD"), Southern Digital Network, Inc. d/b/a FDN Communications ("FDN") and Network Telephone Corporation ("NT") (together "Applicants"). The Applicants asked the TRA to approve financing transactions and transfers of authority associated with ITCD's proposed acquisition of FDN and NT and with ITCD's corporate reorganization.

Statutory and Regulatory Framework

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval before transferring its authority to provide utility services in Tennessee (such authority is also known as a “certificate of public convenience and necessity” or “CCN”). Tenn. Code Ann. § 65-4-113(a) (2004) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) includes the standards by which the TRA shall consider an application for transfer of authority, in pertinent part as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

In addition, public utilities must obtain Authority approval for any indebtedness payable more than one (1) year from its issuance. Tenn. Code Ann. § 65-4-109 (2004) provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Background

The *Application* described a set of transactions involving the three Applicants (ITCD, FDN and NT) and three operating subsidiaries of ITCD: Interstate FiberNet, Inc. (“IFN”), Business Telecom, Inc. (“BTI”) and ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom and d/b/a Grapevine (“DeltaCom”). ITCD requested approval on behalf of itself and IFN,

DeltaCom and BTI, while FDN and BTI directly joined in the *Application*.

ITCD is not certificated to provide utility service in Tennessee. Instead, it works through its operating subsidiaries IFN, BTI and DeltaCom to provide integrated communications services throughout the southeastern United States. IFN is a wholesaler of telecommunications services and holds no CCN in Tennessee. DeltaCom is a wholly owned subsidiary of IFN, which in turn is wholly owned by ITCD. DeltaCom received its authority to provide long distance services in Tennessee by an order dated September 8, 1995 in TRA Docket No. 95-02826 and received its authority to provide competitive local services in Tennessee by an order dated January 2, 1997 in TRA Docket No. 96-01431.

BTI also holds CCNs authorizing it to provide telecommunications services in Tennessee. BTI is certificated to provide resold interexchange telecommunications and/or operator services by an order dated September 12, 1995 in TRA Docket No. 95-02947; intrastate operator services and/or resold telecommunications services by an order dated March 12, 1998 in TRA Docket No. 98-00126; and competing local exchange and interexchange services as a reseller and as a facilities-based local exchange provider within Tennessee by an order dated October 7, 1998 in TRA Docket No. 98-00334.

FDN and NT are not affiliated with ITCD. The TRA has authorized each to provide telecommunications services in Tennessee. FDN provides facilities-based and resold interexchange telecommunications services and competing local telecommunications services within Tennessee as authorized by order dated July 23, 2004 in TRA Docket No. 04-00095. NT provides a full range of telecommunications services to small business customers. By an order dated February 2, 1999 in TRA Docket No. 98-00349, the TRA granted NT authorization to provide operator services and/or resell telecommunications services in Tennessee. The TRA

further authorized NT to provide facilities-based local exchange telecommunications services, as set forth in an order dated June 23, 2000 in TRA Docket No. 00-00009.

The Application

In the *Application*, filed with the TRA on September 10, 2004, the Applicants outlined a series of transactions through which FDN and NT would become subsidiaries of ITCD and DeltaCom would become a first-tier subsidiary of ITCD, rather than a subsidiary of IFN.

The Applicants requested approval for ITCD to acquire FDN and NT, after which each would be a wholly owned subsidiary of ITCD. In association with the acquisition, FDN and NT each would act as a guarantor under the existing ITCD credit facility agreements in the same manner as ITCD's existing subsidiaries, DeltaCom, IFN and BTI. The Applicants therefore also requested the TRA's approval for FDN and NT to execute and issue the guarantees.

In addition, ITCD described other transactions through which ITCD would issue new common stock and change its current organizational structure. Upon consummation of the transactions, the ownership and control of DeltaCom would transfer from ITCD's subsidiary, IFN, directly to ITCD.

Public Interest, Use of Proceeds and Compliance with Regulations

The Applicants asserted that the proposed transactions would serve the public interest by allowing FDN and NT to merge resources, assets and customer bases with the ITCD operating subsidiaries. This merger would make the post-transaction company a strong competitor in the marketplace for local, interstate and international telecommunications services, high-speed data services and other services. According to the Applicants, the customers of BTI, DeltaCom, NT and FDN would benefit from the combined company's improved resources and assets, which would help ensure continuity of service and enhance the ability of each operating subsidiary to

offer a broader range of innovative products and services.

The Applicants further stated that the proposed transactions would be seamless to consumers. The ITCD subsidiaries, DeltaCom, BTI, FDN and NT, would retain direct ownership of the respective CCNs, and the rates, terms of services and management would remain the same after the merger. Each customer of DeltaCom, BTI, FDN and NT would continue to receive high-quality service, and each utility would continue to serve its own customers. No customer base would be transferred, and therefore no customer notification letter would be required.

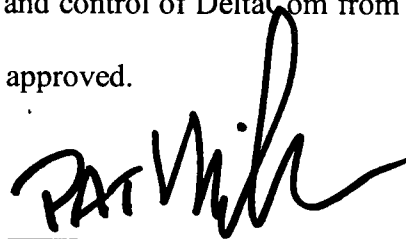
As described in the *Application*, the proposed debt obligations of FDN and NT would be the same as obligations of existing ITCD subsidiaries. The debt issuance would further the proposed merger and bring the new subsidiaries in line with the existing corporate structure. The Applicants represented that they were acting in accordance with applicable law in issuing the indebtedness. The Applicants filed similar applications with other states that require approval, filed notices of stock issues in other states and filed an application with the Federal Communications Commission.

November 8, 2004 Authority Conference

At the November 8, 2004 Authority Conference, the Directors voted unanimously to approve with one exception the *Application* pursuant to a finding of compliance with the requirements of Tenn. Code Ann. §§ 65-4-109 and 65-4-113 (2004). The Directors noted the exception that Authority approval was not required for ITCD's additional stock issuance or the change in ITCD's ownership structure, because the transactions resulted in a re-weighting of debt within ITCD and not a transfer of ownership or authority.

IT IS THEREFORE ORDERED THAT:

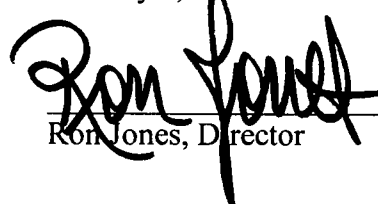
1. The *Application* is approved as discussed herein.¹
2. The proposed transfer of authority and control of FDN to ITCD as described in the *Application* and discussed here is approved.
3. The proposed transfer of authority and control of NT to ITCD as described in the *Application* and discussed here is approved.
4. FDN is authorized to assume debt obligations as a guarantor under the existing ITCD credit facility agreements as described in the *Application* and discussed here.
5. NT is authorized to assume debt obligations as a guarantor under the existing ITCD credit facility agreements as described in the *Application* and discussed here.
6. The proposed transfer of authority and control of DeltaCom from IFN to ITCD as described in the *Application* and discussed here is approved.



Pat Miller, Chairman



Sara Kyle, Director



Ron Jones, Director

¹ After the Authority's approval of the *Application*, ITCD submitted a letter dated March 15, 2005 notifying the Authority that ITCD, FDN and NT mutually terminated the merger agreements through which ITCD was to acquire ownership and control of FDN and NT. The Authority therefore recognizes that the transactions described in ordering clauses 2, 3, 4 and 5 did not and will not close. ITCD does not and will not have ultimate ownership or control of FDN or NT or their CCNs authorizing the provision of utility services in Tennessee. According to the letter, ITCD intends to complete its internal reorganization through which DeltaCom will become a first-tier subsidiary of ITCD.